

**FACTUAL INCONSISTENCIES IN CHINESE COMMUNIST STATISTICS
OF CONSUMER GOODS PRODUCTION**

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Popular Consumption Under Communist China's First Five Year Plan

One of the most significant policy decisions embodied in Communist China's Five Year Plan is the one to allocate over 3/4 of state investment funds to heavy industry, and other activities that do not add anything to consumer welfare. The apparent neglect of the standard of living has been explained as a necessary consequence of the industrialization program. Other Chinese Communist officials have stressed that, despite the seeming imbalance in the pattern of investment, important improvements will be made in the standard of living.

These dual claims, that industrialization requires the use of almost all state investment funds for producer goods and services, and that this concentration of investment funds will not prevent considerable improvement in the standard of living, raise important questions.

Is it necessary for a nation to use as much as 75 percent of new investment funds for heavy industry and the like in order to achieve a reasonably fast rate of industrialization? The Indian Five Year Plan is the most effective answer to this query, for it furnishes proof that the welfare of present generations does not have to be sacrificed for some future millenium. Indian industrial output has increased at an annual rate of about 8 percent under its first Five Year Plan, a rate that ranks well in comparison to development rates of free Western industrial economies. More important, the investment planned to maintain such increase in India is not at the expense of present consumption. In fact, India plans only to raise investment from 5 to 7 percent of total output of goods and services, while Communist China has imposed an investment rate already double the Indian rate and proposes to double it again during the first Five Year Plan.

Another contrasting element in the Indian and Chinese Communist Five Year Plans is the magnitude of agricultural investment. India has given practical recognition to the fact that over 70 percent of its labor force is engaged in agriculture and that food makes up from 60 to 70 percent of consumption, and has, accordingly, allocated 45 percent of its investment fund to the agricultural sector. Communist China on the other hand - with an even greater proportion of its population engaged in agriculture and with food occupying the lion's share of people's consumption expenditures - is allocating only 8 percent of its investment funds to agriculture and water conservation. The results - in terms of grain output which Communist China expects to get from state investment of \$6 billion - are far out of proportion to Indian expectations. Communist China expects grain crops to increase by 28.9 million tons while India is planning on an increase of roughly 7 million tons from an investment equivalent to 75 percent of Communist China's total investment. That is, for each 1,000 yuan of new investment Communist China expects to get 4.7 tons of grain, whereas India is planning on only 1.5 tons for each 1,000 yuan of investment.

The absurdity of Communist China's capital-output ratio, not only in relation to India, but in relation to trends in agricultural production in other countries, belies their announced expectation as to increased availability of grain per capita in 1957. If the planned allocation of investment funds in Communist China is such that grain targets cannot possibly be achieved, then one may conclude that the food component of per capita consumption may not even be maintained, let alone increased.

Doubts as to the imbalanced use of investment funds under Communist China's first Five Year Plan are further borne out by a look at official statistics on per capita sales of consumer goods in Shansi Province in 1952 and the increases planned for 1957.

The amount of grain sold in Shansi markets in 1952 to the approximate 1/3 of the population dependent on market grain purchases amounted to less than 1/2 kilo of rice per day. The Chinese Communist plans for improving this inadequate food supply are to provide 8 1/2 kilos a year more per person. On a 1/2 kilo a day basis, market-dependent consumers would be without grain for 2 months of the year.

Chances are that not even this meagre improvement in per capita grain supply will be achieved, because, as was pointed out above, it is based on the well-above-normal increase in rate of grain production of about 4 percent per year. Per capita sales of chemical fertilizer substantiate this conclusion, as the peasants in Shansi Province will be provided with only 2 kilos more chemical fertilizer per capita than in 1952 when less than 1/2 kilo was available. Such an increase in chemical fertilizer would provide an increase of not more than 4 or 5 kilos of grain per capita per year for the 1952 population.

Other aspects of the consumption picture in Shansi Province would incline one to question further the pace at which Communist China is using investment funds for non consumer activities. Kerosene consumption is to be increased by 1/2 kilo per capita by 1957. How much light and heat will 1 kilo of kerosene provide? Or judge the adequacy of the planned increase in sugar consumption from about 1/4 kilo to 1 kilo per year.

A slowing down of the rate of industrialization in favor of a more effective program to raise present consumption levels would seem to be the obvious course for a government purporting to be the true representative of worker interests and welfare. Proof of the sincerity of their claims is certainly wanting in light of their own consumption statistics.

How does the clothing portion of consumption fare under Communist China's development plans? Cotton cloth sales in Shansi markets in 1952 were just about enough to provide each person with one suit of padded clothes. The increased supply will be enough for about half of another suit. The clothing picture is even less adequate when figures on stockings, towels and the like are analyzed. Even at the end of the Five Year Plan there will be less than one towel per person. Stocking supplies will be increased less than one pair per person to a little over 1 pair.

It cannot be denied that certain consumer goods will be in increased supply in 1957. However, the resulting level of consumption still will be very low. The neglect of consumer goods production in Communist China's investment planning is such that there will be little or no improvement in the standard of living during the first Five Year Plan. One questions the good of a program that does nothing for the individual and serves only to strengthen the state.

SOURCES

1. The First Five-Year Plan for the Development of the National Economy of the People's Republic of China, 1953-1957, Peiping, 1955.
2. Economic Survey of Asia and the Far East, 1953, Research and Planning Division Economic Commission for Asia and the Far East, Bangkok, 1954.
3. Shansi Jih Pao, 5 September 1955.

Chinese Communist Grain Procurement Program Under the Five Year Plan

Chen Yun in his speech to the National People's Congress in July 1955 stated that 40,450,000 metric tons of grain (in husked form) were sold to consumers by the State during 1954/55 out of 44,650,000 metric tons collected. Of the 40,450,000 metric tons sold, 18 million tons were sold back to the countryside, and the remainder was for urban uses. This was presented as allowing 560 catties per person in the countryside. In accordance with the Five Year Plan, grain procurement figures were to be kept constant at 43,250,000 metric tons for each of the three grain years from July 1955 to June 1958.

The 560 catties per peasant quoted applies to the unhusked form. The proper figure to be comparable with the grain in husked form sold in urban areas would be 480 catties per person. Moreover, Chen's calculations do not take into consideration the requirements for seed, feed, and waste, which total about 30 million tons of unhusked grain. This reduces the rural per capita supply to 360 catties of husked grain per person, compared to an average of about 550 catties of husked grain per person in urban areas. Furthermore, even these figures do not take into account the extent to which peasants are forced to a food diet of sweet potatoes and coarse grains that are not sold extensively in urban areas.

The fixed level for future levy and purchase of grain over the last three years of the Five Year Plan is open to question on two counts. In the first place, peasants are to be permitted to "voluntarily" sell grain over and above their quotas in future years. Under the forced collectivization

program and the Communist trade system, the so-called "voluntary" purchases are entirely at the mercy of Communist policy as enforced by the millions of Party cadres throughout the country. In the second place, according to the complete draft of the Chinese Communist Five Year Plan, the purchase quota for 1957 is 29 million tons of commercial grain. Of the 43.25 million tons to be levied and purchased in 1957, this leaves only 14.25 million tons to be collected in the form of taxes in kind. Between 12 and 13 percent of the 1954/55 output was taken under the grain tax, or a total of from 17.5 to 19.0 million metric tons. Even if the tax as a proportion of total food crops should decline, - which is not probable, - this leaves about 5 million metric tons of tax grain unaccounted for in the planned 1957 total of grain collections. Much of this tax grain could simply be left out of the figures to be reported for levy and purchase, but it is more likely that under the new program, grain taxes from food deficit farm households will be collected in the form of cash, equivalent to at least 5 million metric tons of grain. This means that, in order to make up the total of planned grain collections, the burden of the total levy and purchase program on the peasants in 1957 would increase by 4 to 5 million tons even if the Communist grain collection goal remained as stated in the Five Year Plan. In actual fact, in view of the planned increases in grain production, the tax rate will probably remain at 12 or 13 percent and purchases under the forced collectivization program will probably increase. The actual grain procurement figure is thus likely to be much higher than stated in the Five Year Plan.

The Problem of Quality of Light Industry Production

The Light Industry of Communist China has been and probably will continue to be afflicted with the production of inferior goods. Quality is so poor that it receives censure from the Minister of Light Industry himself. While the problem is recognized, some of the practices of the government tend to perpetuate rather than improve the situation.

The problem of inferior quality in Light Industry products has been so bad and so obvious that last summer high government officials made specific references to it. Chia To-fu, the Minister of Light Industry, in a speech before the First National People's Congress, made some pointed remarks on the quality of light industrial products. He said about one-third of the textile mills failed to fulfill the plan for properly made cloth. Another leading official, the Minister of Textile Industry mentioned specific examples of poor quality in textiles: "impure cotton yarn and cotton balls, spotty cloth surface, running colors, great shrinkage, dull colors of printed cloth..."¹ Chia To-fu went on to add that many paper mills failed to fulfill the paper quality plan and mentioned that newsprint was full of dirty spots and was never very smooth. Rubber products came in for their share of criticism: automobile tires wore out too fast; rubber raincoats were sticky; and rubber footwear was of weak construction. Finally, he noted that food was not clean; beer was impure; and soap never had the right degree of hardness.

The government is supposedly taking energetic steps to improve its product; however to judge by the Textile Industry success has not been achieved nor will it be in the near future. Two years ago criticisms such

as those made by the Minister of the Textile Industry were made about textile products: "inferiority of quality, non-lasting color, unevenness in measurement, and non-uniformity in specifications." 2/ At the same time the Ministers were complaining about poor quality, they were encouraging practices which would tend to continue inferior quality in their products. Textile mills were encouraged to economize in the use of raw cotton and the mills were successful in doing so; however, the waste and inferior cotton staples left in the yarn as a result did nothing to improve the quality. So much pressure is put on workers and supervisors to increase output, that quality is given much less emphasis than quantity in the individual mills.

If the Communist Chinese continue their policy they will make no more progress in improving the quality of their light industrial products in the next two years than they have in the past.

SOURCES

1. Speech of Chiang Kuang-nai, Minister of Textile Industry, delivered on July 26, 1955, to the second session of the First National People's Congress.
2. Ta Kung Pao, Tien-ching, 20 Dec 53.

The Bloated Dragon or the Case of Inflated Statistics

The purported rise in consumer's goods annual output of 12.4 percent during the Five Year Plan as seen in July 1955 by Communist China's Minister of Light Industry 1 constitutes an overstatement of fact. The actual yearly production rise in consumer goods during this period more nearly approximates 7 to 8 percent.

Chia To-fu was referring to the output of modern industry and factory handicraft industry only (the components of Light Industry). If he had made allowance for the relative decline in output from sources not covered in Ministry figures, the rise in consumer goods output during the plan period would be considerably less, perhaps 7 to 8 percent annually.

This overstatement of production by the Minister is a consequence of the growth in importance of the market-oriented sector of the economy organized under the Production Ministries as opposed to the rural, non-market-oriented part. Since government claims cover only that part of production which is growing fastest (the market-oriented sector) the rate of growth is overstated. In general, the amount of overstatement varies directly with the increase in importance of the non-factory sector and with the difference in the rates of growth of the two sectors.

SOURCES

1. Speech by Chia To-fu, Minister of Light Industry, at the National People's Congress, 23 July 1955.

The Plight of the Communist Chinese Consumer

It would be natural to think that if the production of consumer goods increased, the well-being of the consumer would be greatly improved; however in Communist China this logic does not work.

In Communist China, the output of light industry was restored to prewar levels by 1952 and increases in production of consumer goods have continued; but the consumer has not benefited directly from this improvement because the government has other uses for the products. China uses additional output for investment purposes rather than for consumption purposes and the use of light industry output to acquire foreign exchange is given priority over domestic needs. 1/ China exports increasing quantities of light industrial products to import increasing quantities of machinery and industrial raw materials. The consumer is forced to do without so industry can develop. A strict ration system leaves only the bare minimum of goods in consumer's hands.

The plight of the Communist Chinese consumer is intensified by the fact that he also is deprived of consumer goods from other countries. Only ten percent of China's imports in 1954 were consumer goods whereas before "liberation" the figure was over fifty percent. 2/

SOURCES

1. The First Five-Year Plan for the Development of the National Economy of the People's Republic of China, 1953-1957, Peiping, 1955.
2. Speech by Yeh Chi-chuang, Minister of Foreign Trade, at the National People's Congress, 29 July 1955.

Impracticability of New Chinese Communist Agricultural Plans

At the National Agricultural Conference, which adjourned in Peking on 23 December 1955, many 1957 originally planned crop production targets were re-scheduled for fulfillment in 1956. Among the more significant crops included were grains, 199 million tons, 6.2 million tons over the original 1957 target; and ginned cotton, 1.77 million tons, 137,000 tons over the original 1957 target; in addition, leaf tobacco, tea and silk cocoon targets were also set in excess of original 1957 targets.

The grain target announcement was by far the most significant since it indicates a return toward the 213 million ton 1957 target, which was originally announced in 1953, and was later reduced to 192.8 million tons. The feasibility of attaining this goal is questioned, in view of the fact that this new grain goal represents an increase considerably larger than that registered from 1954 to 1955. Furthermore, it will again require both a large increase in yields per hectare over the 1955 reported bumper grain harvest of 182 million tons. This would necessitate the use of hybrid seeds, chemical fertilizers and pesticides on a scale not now available.

At the Conference, Chinese Communist economic planners announced that they expect to achieve these ambitious agricultural targets principally through the rapid wide-spread development of Agricultural Producer Cooperatives (APC's), which are allegedly being enthusiastically established by the peasants. In this regard, on 25 January 1956, Minister of Agriculture Liao Lu-yen, commenting on the success of Chairman Mao and the Central Committee of the CCP in correcting the many abuses and defects of existing

APC's, said: "The situation in our country has been changed basically since the latter half of 1955, after the fundamental problems concerning agricultural cooperatives had been solved by Chairman Mao and the Central Committee of the CCP. With the exception of a small number of well-to-do peasants, rich peasants, and former landlords, the Socialist aggressiveness of the majority of the peasants has been increased to an all time high, thus, starting a high tide of Socialist revolution in the rural areas of China."

However, the overall value and significance of APC's in bearing the major share of responsibility in effecting a sizeable increase in the 1956 crop harvest over that of last year's bumper harvest is highly questionable, especially in the light of the 4 March 1956 edition of the People's Daily which evaluates the APC movement as follows: "Because of the rapid development of agricultural cooperativization, some problems of the APC's have not yet been adequately solved. Therefore, the urgent tasks at present are to improve and consolidate APC's and to prepare for spring farming. Cooperatives which are being merged or transformed into high-stage cooperatives should try to finish their work speedily and turn their efforts to spring farming. Cooperatives which have not yet been merged or transformed into high-stage cooperatives should remain as they are for the time being."

Thus, it is quite possible that the APC movement could lose whatever advantages it is believed to possess because of lack of organization, mismanagement and too rapid, forced development. If such proves to be the case, it would probably have a depressing, rather than stimulating effect on current crop production.

SOURCES

1. Radio Broadcast, 23 December 1955.

SOURCES (cont.)

2. Report by the Vice Premier and Chairman of the State Planning Commission, Li Fu-chun, at the second session of the First National People's Congress, 6 July 1955.
3. Report by the Deputy Director of the Rural Work Department of the Central Committee of the CCP, Liao Lu-yen, at the Supreme State Conference, 25 January 1956.

Benefits of Industrialization for the Peasant

"The peasants not only demand a comparatively long-range target for agricultural production, but have also made a series of requests covering their material and cultural livelihood. After having developed agricultural production and increased their income, the broad masses of peasants demand repairs for their houses, new houses and an improvement in their living conditions. Under conditions of increasing production, their demands are appropriate and we must strive to fulfill them." 1/

Further on in his speech Liao Lu-yen states, "Thus one can predict that this 40-article draft program for developing China's agriculture is to be eventually realized by the peasants themselves, using their own financial and material resources. These tasks include agricultural cooperatives, higher agricultural production, promotion of higher-production measures, forestation; development of animal husbandry, fishery, handicraft industry; elimination of illiteracy among the peasants; establishment of primary schools, installation of broadcasting receivers, development of cultural and physical cultural activities; improvement of public health work and living conditions in rural areas, and absorption of unemployed personnel in urban areas to work in the rural areas."

The above statement contradicts Liao's earlier statement that the state must strive to fulfill the above mentioned conditions.

He further states, "Of course, the Government will also do its best to support the peasants financially and technically. However, the amount put out by the State will not be very large, especially during the next several

years. If everything were dependent on the State or State investments, the finances of the State would not be adequate. As a result the carrying out of their tasks would be impossible, or a large amount of the State's financial resources would be directed to this field, thus reducing industrial investments and delaying Socialist industrialization."

In effect, what Liao is saying is that the agricultural sector of the economy has to support the industrial sector as well as its own without any reward. This is contrary to his statements that the State would help to improve the peasants' living conditions.

In Liao's speech, he also states, "Once the draft program for developing China's agriculture is realized, we will have a large domestic market with an astonishingly high purchasing power." If according to his previous statement that agriculture, that is the peasant, is to be the main support for their industrialization program, this would necessitate forced savings, compulsory bond purchases and plowing back of agricultural income into industrial investment. Thus, the so-called high purchasing power will provide little or no increase in market goods for the ordinary consumer.

SOURCES

1. Report of the Deputy Director of the Rural Work Department of the Central Committee of the Chinese Communist Party, Liao Lu-yen, at the Supreme State Conference, January 25, 1956.

Chinese Village Reaction to Forced Procurement of Grain

The scarcity of food or as the government states, "the increasing demand for food," led the government in 1955 to introduce the more stringent policy known as the "Three Measures," a house-by-house determination of the amount of food crops to be produced, to be sold to the State, and to be bought from the State. 1/

Naturally, popular feelings about this system can not be voiced in the press, however, a September editorial revealed their feelings in a curious formula: "one quarter of the villages are 90 percent content; half are 20 to 30 percent content; the remaining quarter are still full of problems." 2/

SOURCES

1. Radio Broadcast April 28, 1955.
2. People's Daily, 27 September 1955.

Discrimination in Communist China's Food Rationing System

One usually associates food-rationing with war or famines. China is not at war, and claims to have plenty of food, plus enough for exports to secure heavy industrial equipment. Yet even the peasants' food is rationed so that many are forced onto a subsistence diet of sweet potatoes. Because of the disproportionate allocation of investment funds from the agricultural sector to the industrial sector of the economy to meet the industrialization requirements of the Peking regime, and because the per capita availability of food in present day China is actually about ten percent less than the average for the period 1931-1937, strict rationing must now be enforced.

The new rationing system, which was introduced in November 1955, is composed of two sets of regulations, one for cities and one for villages. Although these new regulations are reportedly based on the fundamental precept of equality between cities and villages in sharing the existing supply of foodstuffs, inequality is still very much in evidence.

In the villages, the crops are purchased from the farmer by the State, which permits the farmer to keep a "sufficient" amount of his crop and which purportedly stands ready to sell back food to the farmer in time of need - at prices higher than originally paid to the farmer. However, in some villages where bumper harvests are obtained, the People's Daily says some farmers still make wine from rice, thus implying either laxity on the part of State grain collectors or sizeable crop withholding on the part of some farmers. On the other hand, farmers living in areas of average or sub-average crop harvests have no opportunity to withhold much if any of their crops, and are therefore more dependent on the State than farmers living in areas of bumper harvests.

In the cities, maximum and minimum amounts of food are laid down as rations for city-dwellers, who are divided into nine different categories according to occupation and age. As evidence of inequality, cities, towns and industrial areas are now officially reported to be better provided with foodstuffs than the villages. However, some cities with fewer industrial workers receive less than before, as the People's Daily reported that in September 1955, 238 major towns received ten percent (125 million kilos) less food than in September 1954, and 19 percent less in October 1955 than in October 1954.

The prescribed rations favor urban industrial workers and government employees. Peking, the seat of the government, is particularly well supplied, receiving its food from 18 provinces and Inner Mongolia. The foreign diplomats and technical advisers are the only ones specifically exempted from rationing in these new regulations.

It is clear that the discriminatory rationing system is weighted against the peasant and may be the cause of resentment in the countryside against the favored urban workers, especially in a poor crop year.

SOURCES

1. Radio Broadcast, 25 August 1955.
2. People's Daily, 26 November 1955.
3. People's Daily, 23 October 1955.
4. Ta-Kung Pao, Tientsin, 5 September 1955.

Discrimination against the Farmer in Chinese Communist
Price-Fixing Policy

A significant decline in farm purchasing power under the Chinese Communist regime has taken place due to greater increases in prices of urban products compared with agricultural products. Typical of this decline is the price of rice in Shanghai compared with the price of cloth -- the two main commodities involved in rural-urban exchange. In 1936, in terms of average Shanghai prices, one picul (110 pounds) of rice could be exchanged for 1.15 bolts (of 40 yards each) of cloth. In contrast, under the Communists, price quotations in the Shanghai Ta Kung Pao show that in October 1950 one picul of rice was equivalent in value to .67 bolt of cloth and in February 1951 one picul of rice was equivalent to .45 bolt of cotton cloth. Average Shanghai prices for 1952 quoted in the Shanghai Hsin-wen Jih-pao show that a picul of rice could be exchanged for .50 bolt of cloth in that year.

The 1952 ratio of prices for rice and cloth has continued throughout 1954 although there has been a sharp rise in production of cotton cloth and a much slower rise in output of food crops. Therefore Chinese Communist price policies run counter to the price relationships that could be expected to prevail in a free market system and caused a hidden burden on the peasant by sharply restricting his ability to purchase urban products.